

CITY OF VALLEY

VALLEY, ALABAMA

Single Audit Schedules and Reports

September 30, 2022

CITY OF VALLEY

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Himmelwright
Huguley
Boles

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of City Council
City of Valley, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valley, Alabama (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider a material weakness. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs as items, 2022-001, 2022-002, and 2022-003 to be significant deficiencies.

Report on Compliance and Other Matters

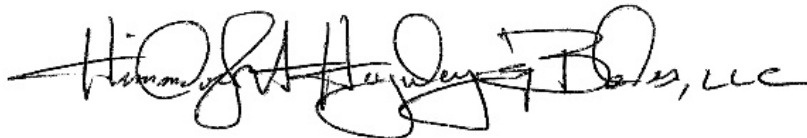
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Valley, Alabama's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Himmelwright, Huguley & Boles, LLC", with a stylized flourish at the end.

Himmelwright, Huguley & Boles, LLC
Auburn, Alabama
March 28, 2023



Himmelwright
Huguley
Boles

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and
City of Valley, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Valley, Alabama's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 28, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Himmelwright, Huguley & Boles, LLC". The signature is stylized and cursive.

Himmelwright, Huguley & Boles, LLC.
Auburn, Alabama
March 28, 2023

THE CITY OF VALLEY, ALABAMA
Schedule of Expenditures of Federal Awards
October 01, 2021 through September 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PASS- THROUGH TO SUBRECIPIENT	FEDERAL EXPENDITURES
Department of Housing and Urban Development				
Alabama Department of Economic & Community Affairs		LR-ED-PF-18-001		
Community Development Block Grant	14.228	LR-ED-PF-17-101		\$ 189,438
Community Development Block Grant	14.228	LR-CM-PF-19-019		51,177
Department of the Treasury				
American Rescue Plan				
Coronavirus Fiscal Recovery Fund	21.027			1,662,494
Appalachian Regional Commission				
Alabama Department of Economic & Community Affairs				
Appalachian Area Development	23.002	AL-19966-2020		<u>23,694</u>
Total Federal Expenditures				<u>\$ 1,926,804</u>

THE CITY OF VALLEY, ALABAMA
Notes to Schedule of Expenditures of Federal Awards
October 01, 2021 through September 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Valley, Alabama under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City of Valley, Alabama it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Valley, Alabama.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recorded when the liabilities are incurred.

NOTE 3 - INDIRECT COST RATE

The City of Valley, Alabama has elected not to use the 10-percent de-minimis indirect cost rate allowed under the Uniform Guidance.

THE CITY OF VALLEY, ALABAMA
Schedule of Findings and Questioned Costs
October 01, 2021 through September 30, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of opinion issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> X </u> Yes	_____	None reported
Noncompliance material to the financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u> X </u>	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	<u> X </u> No	
Prior year findings that are required to be reported?	<u> X </u> Yes	_____	No

Identification of major programs:	
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>

21.027	American Rescue Plan - CFRF
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Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	_____ Yes	<u> X </u> No
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THE CITY OF VALLEY, ALABAMA
Schedule of Findings and Questioned Costs
October 01, 2021 through September 30, 2022
(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (GAGAS)

Ref No.	Type of Finding	Finding/Noncompliance
2022-001	Internal Control	<p><u>Finding:</u> During the audit, HHB noted numerous adjusting journal entries were required in order to present the City’s financial statements in accordance with GAAP.</p> <p><u>Recommendation:</u> We recommend the City review monthly general ledgers to ensure transactions are correctly coded so that interim financial statements align closely with year-end audited financial statements.</p> <p><u>Views of Responsible Officials of the City</u> The City agrees with the finding and recommendation.</p>
2022-002	Internal Control	<p><u>Finding:</u> During the audit, HHB noted that the City was unable to provide an accounts receivable subsidiary ledger for the Solid Waste fund that agreed to amounts recorded on the City’s general ledger. The City’s Solid Waste account software could not produce an accurate ledger of accounts due and outstanding at September 30, 2022.</p> <p><u>Recommendation:</u> We recommend the City reconcile the accounts receivable subsidiary ledger to the City’s general ledger monthly. We further recommend the City perform a quarterly check to ensure the Solid Waste accounting program is generating accurate information.</p> <p><u>Views of Responsible Officials of the City</u> The City agrees with the finding and recommendation.</p>
2022-003	Internal Control	<p><u>Finding:</u> During the audit, HHB noted the City did not capitalize all its purchases of capital assets, donated capital assets, and construction in progress. Some items that should have been recorded to capital outlay or contributed capital were expensed during the audit period.</p> <p><u>Recommendation:</u> We recommend the City ensure all purchases of capital assets, construction in progress, and donated capital assets be capitalized.</p> <p><u>Views of Responsible Officials of the City:</u> The City agrees with the finding and recommendation.</p>

THE CITY OF VALLEY, ALABAMA
Schedule of Findings and Questioned Costs
October 01, 2021 through September 30, 2022
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.

THE CITY OF VALLEY, ALABAMA
Schedule of Prior Year Audit Findings
October 01, 2021 through September 30, 2022

REFERENCE NUMBER:

2021-001

FINDING:

During the audit, HHB noted numerous adjusting journal entries were required in order to present the City's financial statements in accordance with generally accepted accounting principles (GAAP).

RECOMMENDATION:

We recommended the City review monthly general ledgers to ensure transactions are correctly coded so that interim financial statements align closely with year-end audit financial statements.

ACTION TAKEN:

The City has been reviewing the monthly general ledgers more closely to ensure that they have accurate financial statements at year-end.

REFERENCE NUMBER

2021-002

FINDING:

During the audit, HHB noted that the City was unable to provide an accounts receivable subsidiary ledger for the Solid Waste fund that agreed to amounts recorded in the City's general ledger. The City's Solid Waste account software could not produce an accurate ledger of accounts due and outstanding at September 30, 2021.

RECOMMENDATION:

We recommended the City reconcile the accounts receivable subsidiary ledger to the City's general ledger monthly. We further recommend the City perform a quarterly check to ensure the Solid Waste accounting program is generating accurate information.

ACTION TAKEN:

Due to the death of the lead software designer in January of 2022, of the old software, the City was forced to go out and replace the software in August 2022. The City is working with the new software to integrate the program with its current information and to resolve the issues with the billing and reporting.

THE CITY OF VALLEY, ALABAMA
Schedule of Prior Year Audit Findings
October 01, 2021 through September 30, 2022
(Continued)

REFERENCE NUMBER

2021-003

FINDING:

During the audit, HHB noted that the City did not capitalize all its purchases of capital assets, donated capital assets, and construction in progress. Many items should have been recorded to capital outlay or contributed capital were expensed during the audit period.

RECOMMENDATION:

We recommended the City ensure all purchases of capital assets, construction in process, and donated capital assets be capitalized.

ACTION TAKEN:

The City has been checking each month to ensure that they are capturing all items that should be capitalized. The City has decreased the number of items that needed capitalization but there are still some items in the current audit period that needed capitalization.



CITY OF VALLEY

Response/Corrective Action Plan For the Year Ended September 30, 2022

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the City of Valley, Alabama has prepared and hereby submits the following Corrective Action Plan for the findings included in section two of the Schedule of Findings and Questioned Costs for the year ended September 30, 2022.

Reference Number: 2022-001

Finding:

During the audit, HHB noted numerous adjusting journal entries were required in order to present the City's financial statements in accordance with GAAP.

Recommendation:

We recommend the City review monthly general ledgers to ensure transactions are correctly coded so that interim financial statements align closely with year-end audited financial statements.

Corrective Action Planned:

The City will look at monthly general ledgers more closely to be sure our statements are accurate at year-end.

Reference Number: 2022-002

Finding:

During the audit, HHB noted that the City was unable to provide an accounts receivable subsidiary ledger for the Solid Waste fund that agreed to amounts recorded on the City's general ledger. The City's Solid Waste account software could not produce an accurate ledger of accounts due and outstanding at September 30, 2022.

Recommendation:

We recommend the City reconcile the accounts receivable subsidiary ledger to the City's general ledger monthly. We further recommend the City perform a quarterly check to ensure the Solid Waste accounting program is generating accurate information.

Corrective Action Planned:

The City has purchased new software and are working on converting the prior information into the system and correct the billing and reports going forward. We hope to have this issue addressed in the new audit period of 2023.

Reference Number: 2022-003

Finding:

During the audit, HHB noted the City did not capitalize all its purchases of capital assets, donated capital assets, and construction in progress. Many items that should have been recorded to capital outlay or contributed capital were expensed during the audit period.

Recommendation:

We recommend the City ensure all purchases of capital assets, construction in progress, and donated capital assets be capitalized.

Corrective Action Planned:

The City will continue to check reports to ensure we capture all items that should be capitalized.



Kathy Snowden
City Clerk/Treasurer
City of Valley